



GMAP – Risk Management

- Tort Liability Trends - Overview

- Focus Areas:

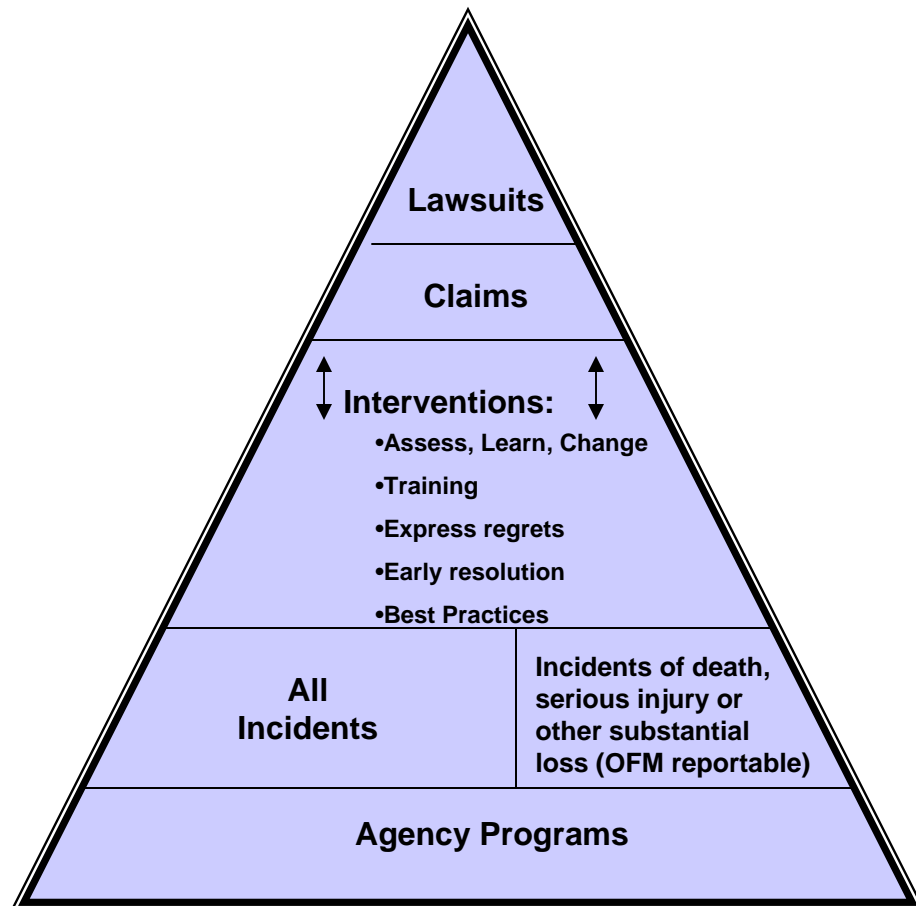
- Incident Reporting
- Employment Claims

Office of Financial Management

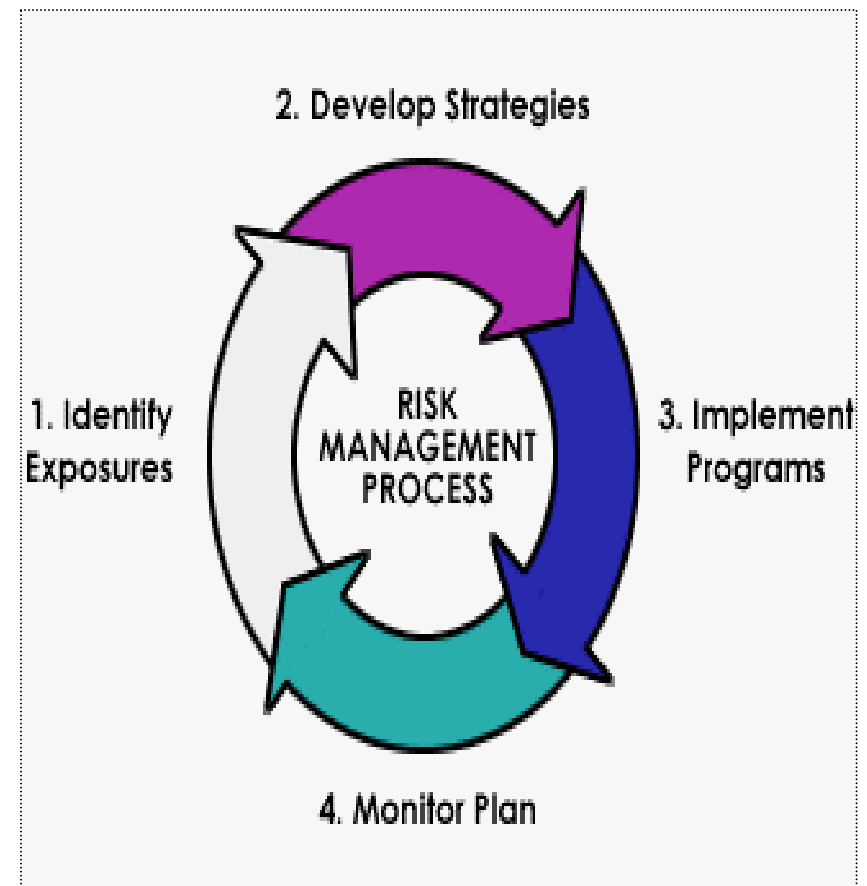
November 15, 2005

Risk Management: Taking Deliberate Actions to Avoid Loss Across Multiple Functions

Risk Management Continuum

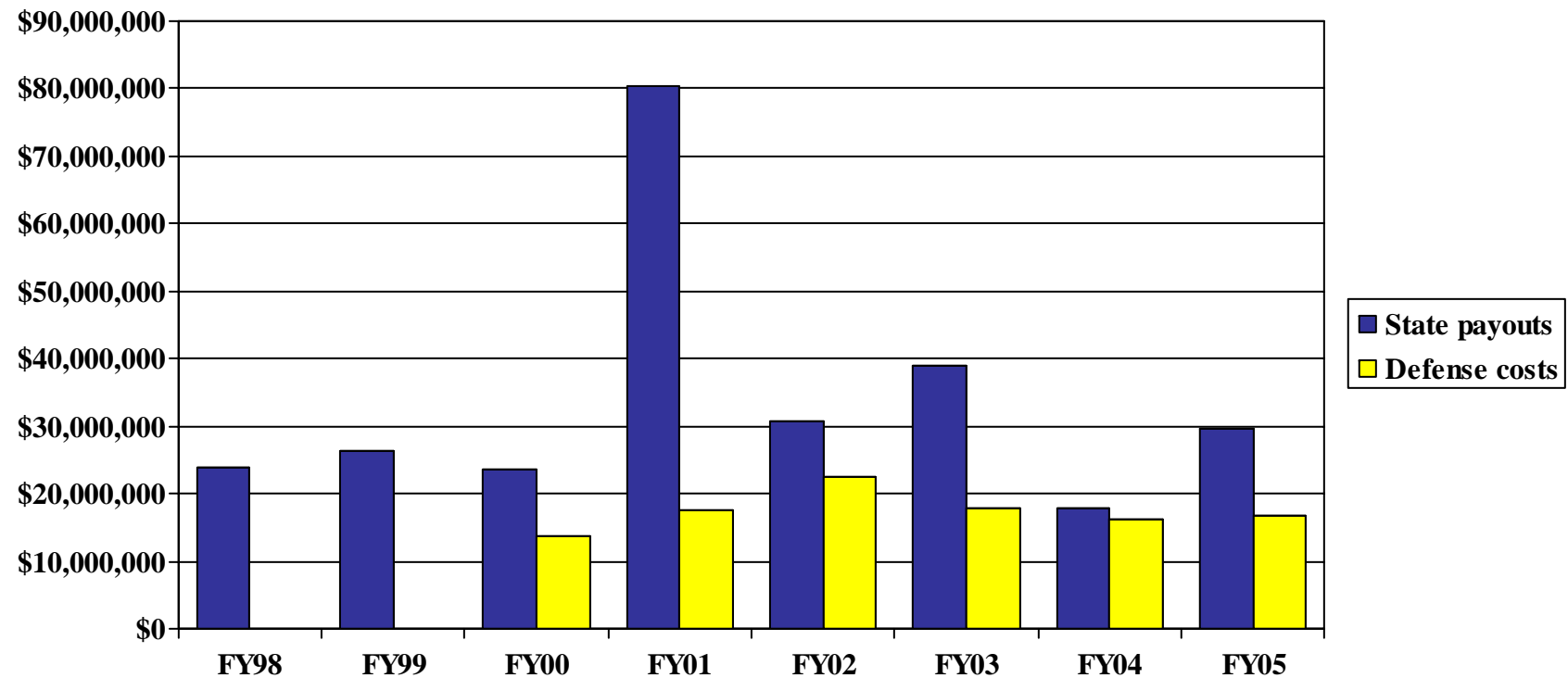


Enterprise Risk Management Model



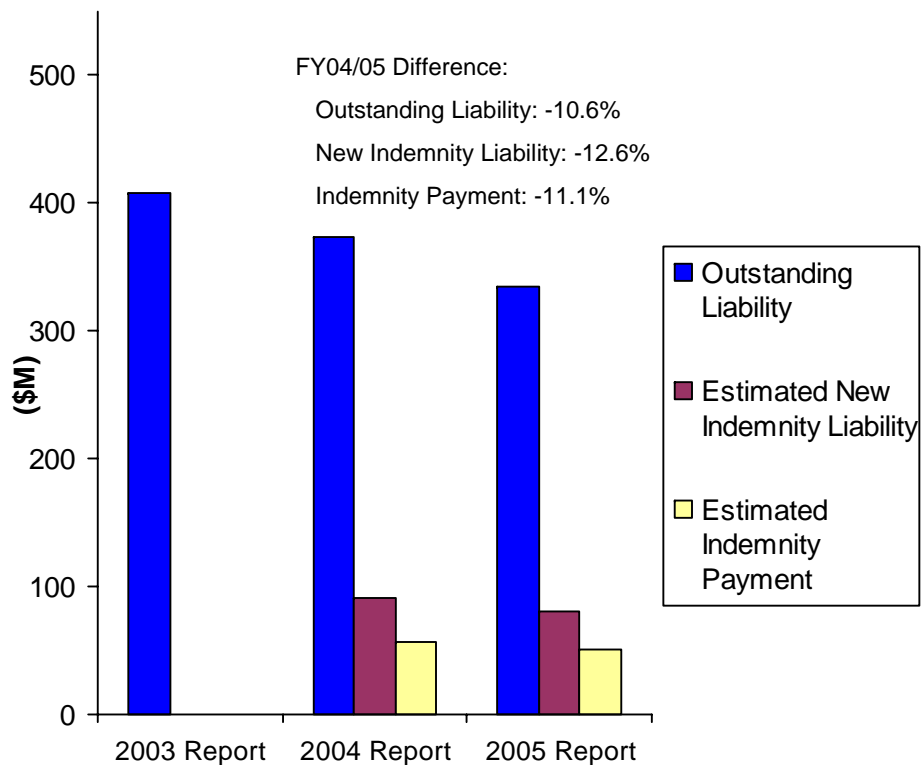


Tort Payouts - Fiscal Years 1998-2005



- Defense costs were not tracked as part of the self insured liability account before 2000.

2005 Actuarial Report: Downward trend for projected liability and payouts

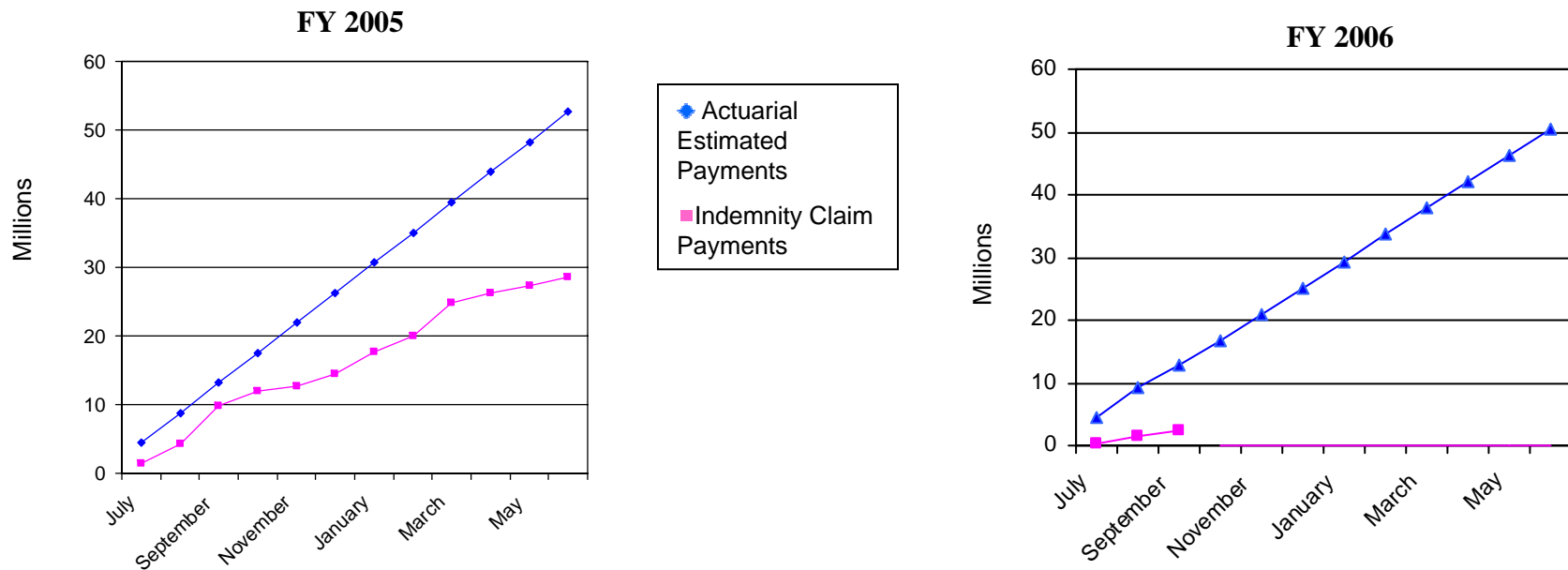


Source: PricewaterhouseCoopers 2005 Actuarial Report

Analysis:

- Aggressive management of tort lawsuits contributed to favorable loss record.
- 2005 Actuarial Report supported lower commercial insurance premiums for third year:
 - 5% reduction: Excess liability
 - 12% reduction: Marine
 - 20% reduction: Property
- Definitions:
 - Outstanding: Reserve value of all open claims, including an estimate of the value of incurred but not yet reported claims.
 - Estimated new: Estimate of the value of new claims during a fiscal year.
 - Estimated payment: The estimate of the value of claims to be paid during a fiscal year.

2006: Trend continues as payouts continue below actuarial projection

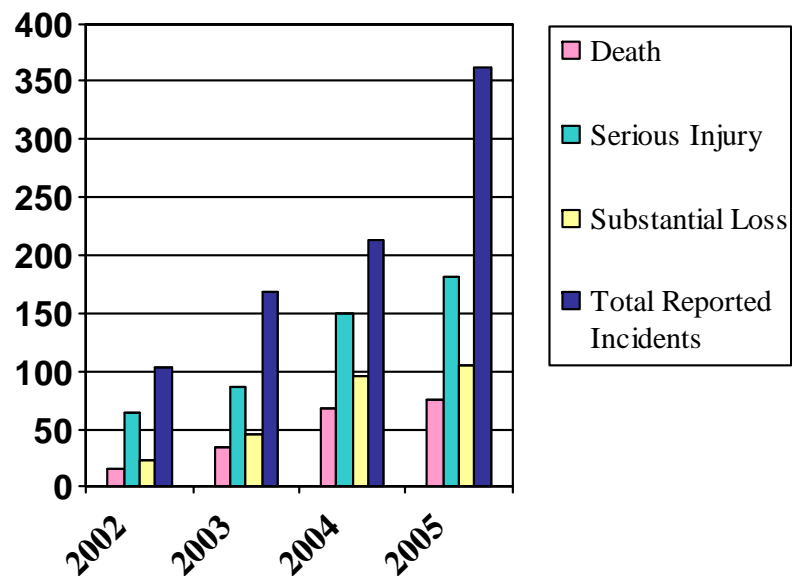


Analysis:

- Potential settlement of Joyce case (DOC) could increase 2006 payments.
- Self-Insurance Liability Account is funded at 21% of outstanding liabilities, due to actual performance compared to actuarial estimates (50% is maximum allowed funding).

The Key to Effective Risk Management is Proactively Addressing Incidents

Incidents Reported to OFM by
Fiscal Year



Incident: Event of substantial loss alleged or attributable to the state.

Source: OFM-Loss Prevention Review Team Data

Analysis:

- Reporting compliance primarily accounts for increased incident numbers, masking positive or negative trends.
- Agencies under-report incidents to OFM. Source: Claims comparison, GMAP reports and other sources.

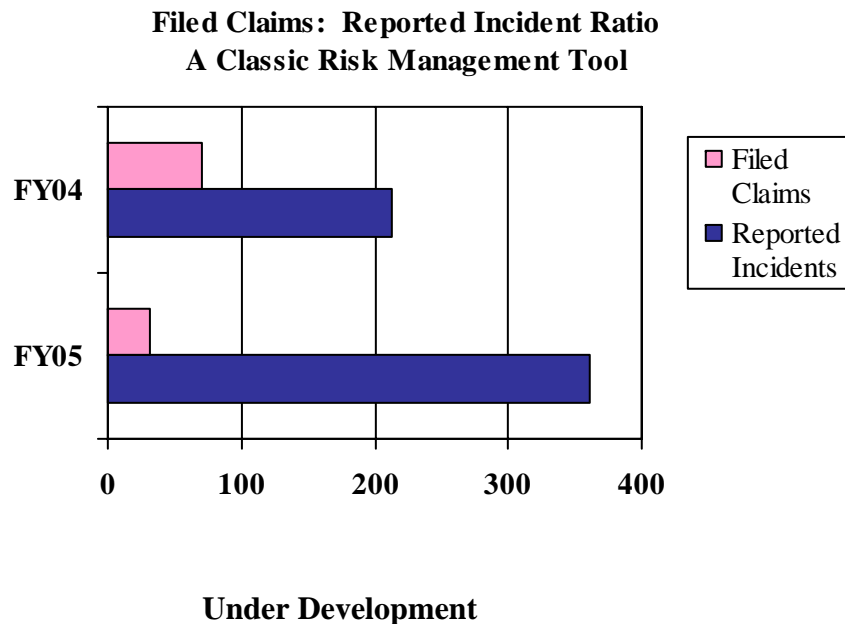
Targets:

- 100% reporting of incidents in required categories by December 30, 2006.
- 100% review of OFM reported incidents by either OFM, agency or third party by June 30, 2007.
- OFM will complete 8-10 OFM Director's statutory incident reviews by loss prevention review teams per year.

Action Plan:

- Develop executive level direction to agencies regarding reporting and review responsibility by December 2005.
- Include a centralized incident reporting and loss history functionality in the new RMIS (by June 2006), and obtain agency executive acceptance of total incident reporting.
- Conduct three agency risk forums each year, starting in FY 2006 with WSP, DOC, and DSHS-CA.
- Develop risk management action plans with agencies; assist in implementation; conduct quarterly incident reviews with agencies and AGO.
- Adapt DSHS-ESA incident pilot for other program use.

Is Incident Assessment Improving Outcomes?



Analysis:

- Claims to incident ratio data is not stabilized, making analysis of trending speculative, but the tool should be developed and monitored.
- Incident distribution tracks liability payout distribution.
- Better incident management = fewer claims = fewer lawsuits. Why? Proactive change at the program level through assessment and implementation in response to incidents

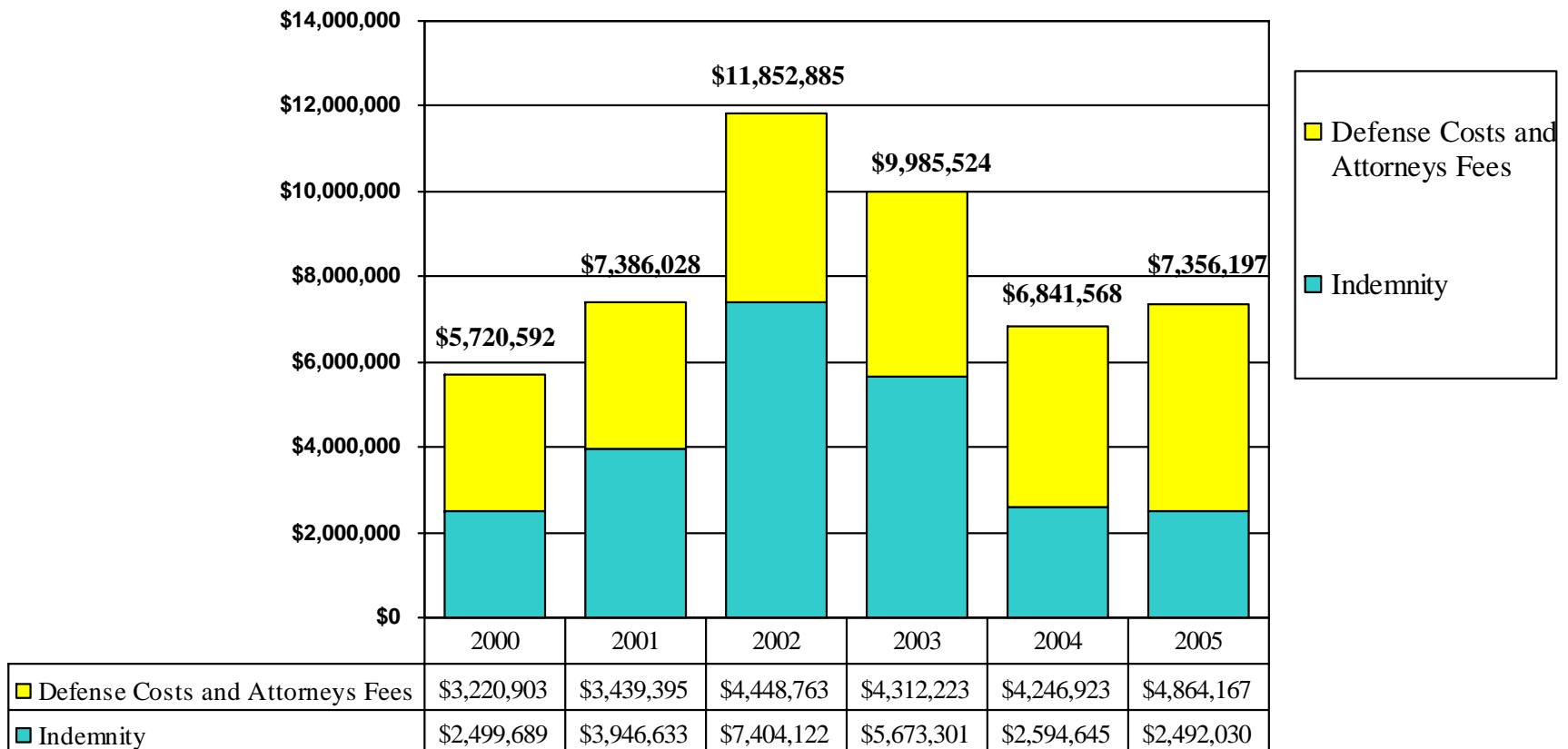
Action Plan

- Continue to track claims: incident ratio, using it as a measure of whether loss prevention efforts are effective

Source: OFM-Loss Prevention Review Team Data and Claims Database



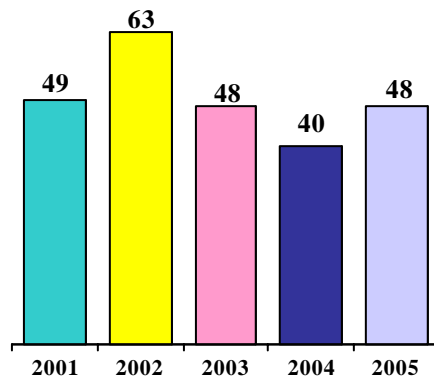
Statewide Employment Claims Indemnity and Legal Costs FY 2000 to FY 2005



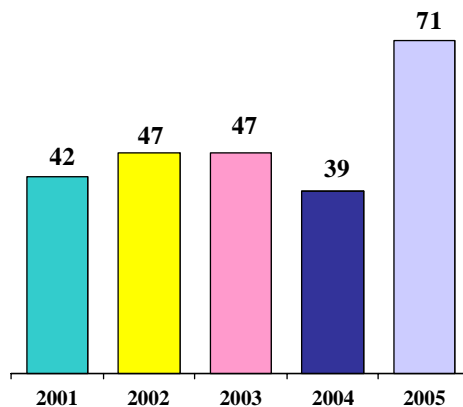
Source: OFM Claims Database

Employment Lawsuits are Down Slightly, while Claims are Rising

Employment Lawsuit Filings



Employment Claims



Analysis:

- Defense costs and attorneys fees are higher in relation to payout in employment cases.
- Disability, race discrimination, retaliation claims increasing.
- Reserves on employment claims also increasing.
- A greater number of claims and cases should go to AGO Early Resolution Program (ERP) (see backup slide).

Targets:

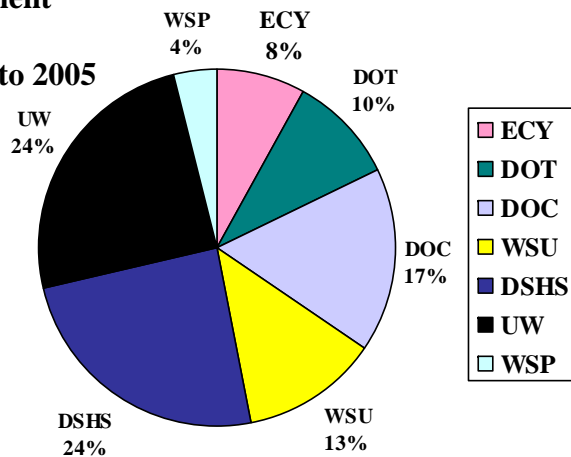
- Divert 100% more claims and cases to early resolution (OFM-AGO/effort) by December 31, 2005; emphasize resolution of employment cases and claims.
- Reduction in employment lawsuits overall of 25% over three years.

Action Plan:

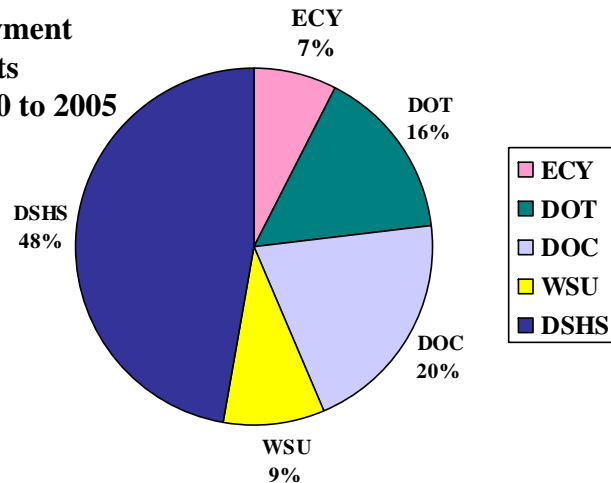
- Re-instituted DOP Management Leadership Development curriculum:
 - Target supervisors and managers.
 - Add core risk management curriculum addressing employment practice liability prevention/control by August 2006 (OFM).
- See slide 10.

Resolution at the Earliest Time is the Key to Reducing Employment Liability

Employment Claims FY 2000 to 2005



Employment Lawsuits FY 2000 to 2005



Analysis:

- UW Early Resolution Program dramatically reduces employment litigation (74% claim reduction per 1000 FTEs and 0 lawsuits).
- DSHS, DOT and DOC claims result in lawsuits more often than other agencies.
- AGO use of dispositive motions reduced average suit resolution time from 795 days to 120 days.

Action Plan:

- Adapt UW employment liability resolution practice model for use by other state agencies by July 2006.
- By Fall 2006, use DOP Grievance Tracking System to identify prevention strategy areas.



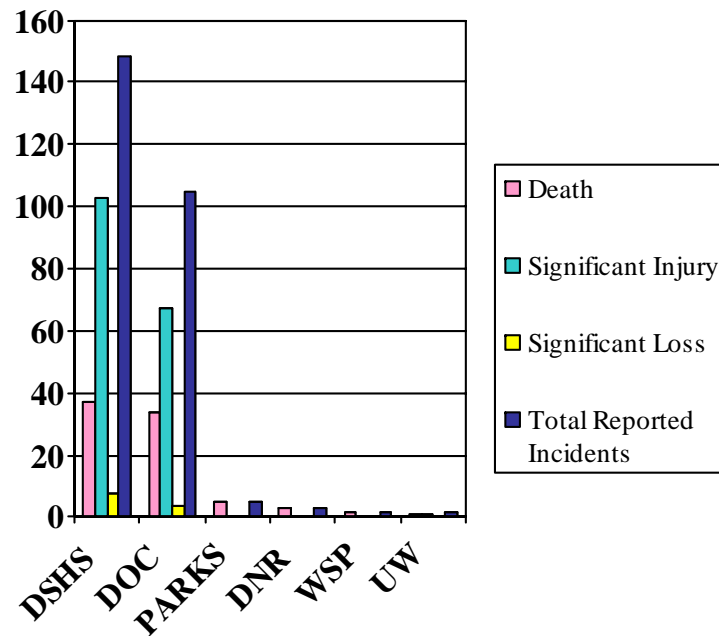
GMAP – Risk Management

Back-Up Slides



Agency Incident Frequency Levels Track Claims and Payout Levels

Incidents Reported by Agencies for FY2005



DOC: Filings by Category, for Claims Closed FY 2000-2004

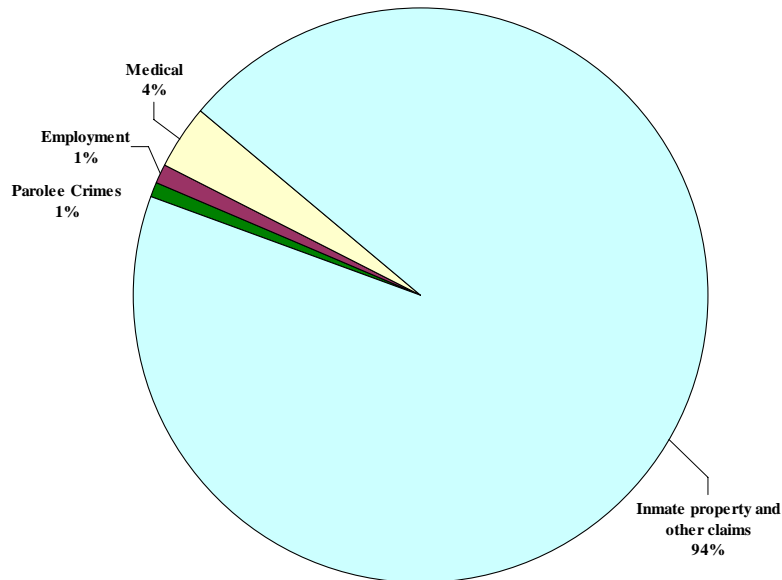
Analysis:

- The vast majority of DOC claims did not relate to causes producing the highest payouts.

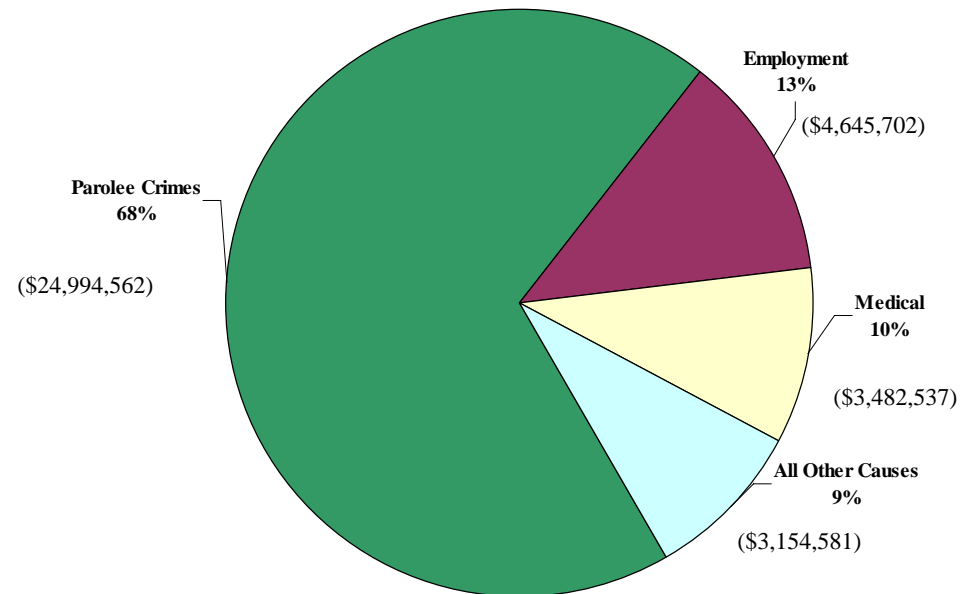
Action Plan:

- DOC's risk management initiatives should continue to focus on highest areas of risk, including supervision of offenders in the community.

Number of Filings by Category, for Claims Closed
FY 2000-04

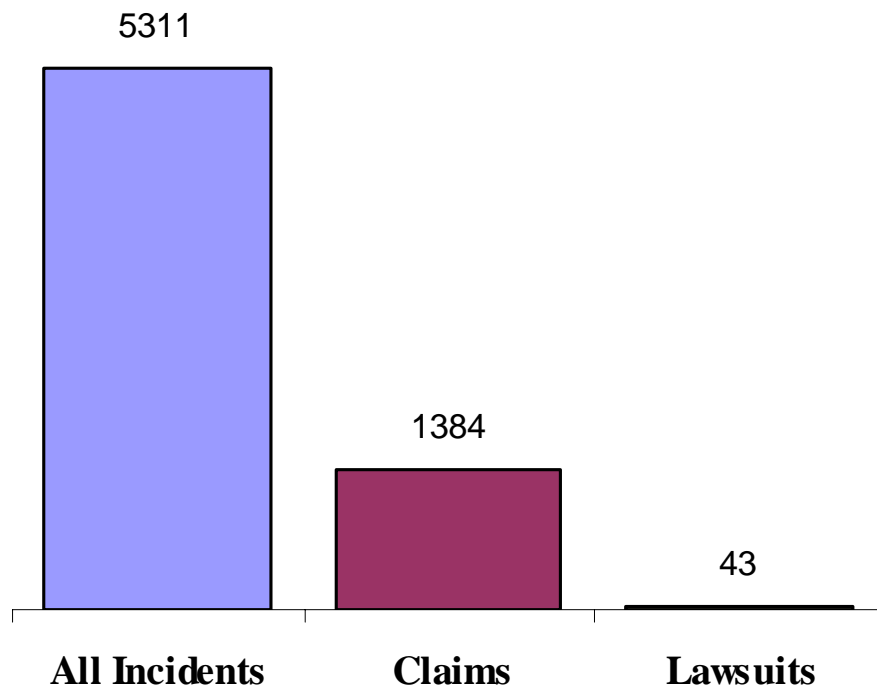


Primary Sources of DOC Risk Based on Payouts,
FY 2000-04



DOC Loss to Claims Ratio FY 2001

(Note: The 43 lawsuits related to 54 of the claims)

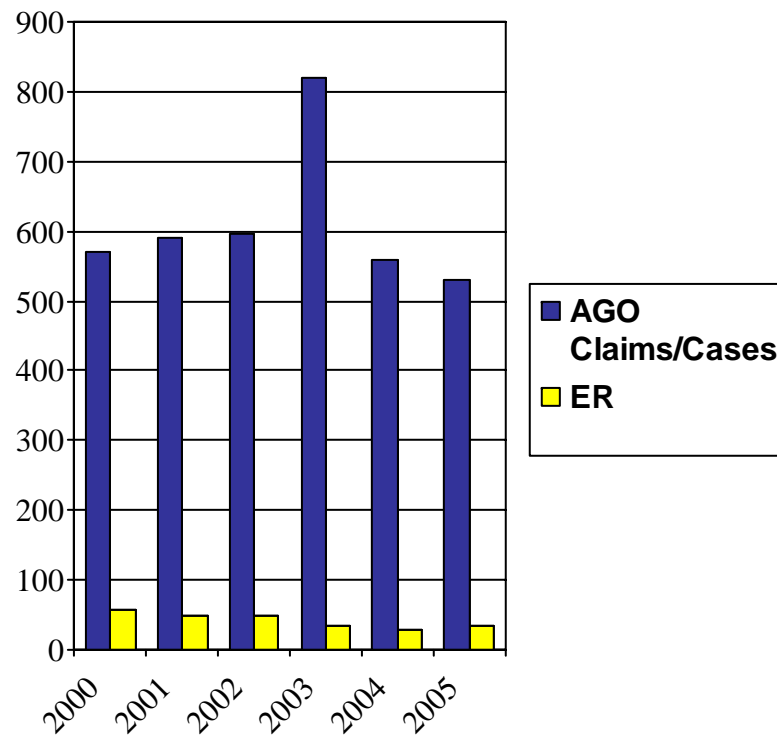


Analysis:

- DOC's loss to claim ratio appears to be satisfactory.
- Tracking this on a regular basis would be helpful to the agency.

Source: DOC-Tele-Incident Database and OFM-Claims Database

AAG Claims Diverted to Early Resolution Program (ERP)



Source: AGO – CMS Database

Analysis:

- Average 44 claims per year to ERP.

Target:

- Target 100% increase in claims and lawsuits to early resolution effort.

Action Plan:

- Assign additional staff (AGO, OFM) to work program (done).



OFM – Risk Management Division Staffing

■ **Tort Claim Management**

- 3.6 FTEs - Tort claims and litigation management
- 2 FTEs - Investigators; 3 FTEs - Investigative assistants

■ **Loss Prevention and Risk Finance**

- 3.7 FTEs – Loss prevention specialists
- 1.7 FTEs – Risk finance

■ **\$1.2 Million to Develop RMIS – FY 2005-07 Biennium**

- 2-3 FTEs – Information and data coordination, analysis, project management

■ **Administrative Support**

- 3 FTEs